

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Wolverine Community Library		County Cheboygan	
Fiscal Year End 6/30/07		Opinion Date 10/3/07		Date Audit Report Submitted to State 10/15/07			

We affirm that:

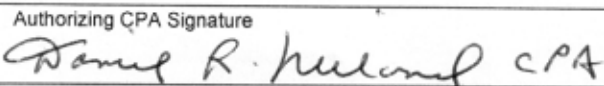
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Nieland and Kosanke, PC			Telephone Number 231-627-4396	
Street Address 201 S. Main			City Cheboygan	State MI
			Zip 49721	
Authorizing CPA Signature 		Printed Name Daniel R. Nieland		License Number 12250

WOLVERINE COMMUNITY LIBRARY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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INDEPENDENT AUDITOR'S REPORT

October 3, 2007

Board of Directors
Wolverine Community Library
P. O. Box 310
Wolverine, Michigan 49799

We have audited the accompanying financial statements of the governmental activities and the general fund of Wolverine Community Library as of and for the year ended June 30, 2007; which collectively comprise of the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Wolverine Community Library as of June 30, 2007; and the respective changes in financial position, and respective budgetary comparison for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 3, 2007, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information (identified in the table of contents) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Nieland and Kosanke, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Cheboygan, Michigan 49721

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 3, 2007

Board of Directors
Wolverine Community Library
P. O. Box 310
Wolverine, Michigan 49799

We have audited the financial statements of Wolverine Community Library as of and for the year ended June 30, 2007, and have issued our report thereon dated October 3, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Wolverine Community Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*.

The Library was in noncompliance with its operating budget for the general fund.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wolverine Community Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the

Wolverine Community Library

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October 3, 2007

internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Directors and management of the Library and is not intended to be and should not be used by anyone other than these specified parties.

Nieland and Kosanke, P.C.

CERTIFIED PUBLIC ACCOUNTANT S

Cheboygan, Michigan 49721

WOLVERINE COMMUNITY LIBRARY
LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR JULY 2006 – JUNE 2007

The MD&A is intended to serve as an overview analysis of the financial condition and operating results of the Library.

Please direct your questions regarding this report to:

Susan Warner, Library Director
Wolverine Community Library
5717 West Main Street
P. O. Box 310
Wolverine, Michigan 49799
Phone: 231-525-8800

WOLVERINE COMMUNITY LIBRARY

MANAGEMENT DISCUSSION AND ANALYSIS FY 2006 – 2007

Relationship of Financial Statements

The basic financial statements contained herein include information that presents two different views of the Library using the modified-accrual and full accrual methods.

The individual fund balance sheet/statement of net assets and liabilities and the individual fund statement of revenue, expenditures and changes in fund balance include information about the Library's general fund under the modified-accrual method.

The modified-accrual method focuses on current financial resources. The full accrual method focuses on long-term economic resources and presents a statement of not only how services were financed in the short term, but also what remains for future spending. Under the former system, capital outlay is an expense. Under the latter system, capital outlay is capitalized as an asset, resulting in a statement of more net profit.

Library As A Whole

The Library's primary income comes from millage and penal fines. Property taxes are levied in Nunda, Wilmot, and Mentor Townships at .6414 mills. Penal fines are received from Cheboygan County. These sources account for 85% of all revenue received.

Salaries and payroll taxes accounted for 41% of total expenditures. Depreciation of fixed assets accounted for 38% of expenditures. All other operating expenses accounted for 21% of total expenses. There are currently no employee benefit plans in place.

Budgeting Highlights

Over the course of the year, the Library Board of Trustees amended the budget to address unplanned needs that occurred during the year.

Capital Assets and Long-Term Debt Activity

At the end of the fiscal year, the Library had \$432,704 invested in books, furniture, equipment and land. The Library has a lease that is renewed annually for use of the library building with annual lease payments of \$250.

WOLVERINE COMMUNITY LIBRARY
STATEMENT OF NET ASSETS
JUNE 30, 2007

ASSETS

Current Assets:	
Cash – Checking	\$ 6,743
Cash – Savings	61,191
Certificates of Deposit	<u>34,542</u>
Total Current Assets	102,476
Non-Current Assets:	
Capital Assets	432,704
Less: Accumulated Depreciation	<u>(240,677)</u>
Total Non-Current Assets	<u>192,027</u>
Total Assets	<u>\$ 294,503</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 929
Accrued Payroll and Withholding	<u>4,298</u>
Total Liabilities	<u>\$ 5,227</u>

NET ASSETS

Invested in Capital Assets	\$ 192,027
Unrestricted	<u>97,249</u>
Total Net Assets	<u>289,276</u>
Total Liabilities and Net Assets	<u>\$ 294,503</u>

WOLVERINE COMMUNITY LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

				Governmental <u>Activities</u>
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants/ Contributions</u>	Net (Expense) Revenue and Changes In <u>Net Assets</u>
Functions/Programs –				
Governmental Activities:				
Library Services	\$ 92,996	\$ 5,448	\$ 4,557	\$ (82,991)
General Revenues –				
Intergovernmental:				
Property Tax				58,578
State Aid				1,464
Penal Fines				15,900
Interest Income				1,388
Miscellaneous				<u>617</u>
Total General Revenues				<u>77,947</u>
Change In Assets				(5,044)
Net Assets – June 30, 2006				<u>299,547</u>
Net Assets – June 30, 2007				<u>\$ 294,503</u>

WOLVERINE COMMUNITY LIBRARY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

ASSETS

Current Assets:

Cash – Checking	\$ 6,743
Cash – Savings	61,191
Certificates of Deposit	<u>34,542</u>

Total Current Assets	<u>102,476</u>
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Total Assets	<u>\$ 102,476</u>
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LIABILITIES AND FUND BALANCE

Current Liabilities:

Accounts Payable	\$ 929
Accrued Payroll and Withholding	<u>4,298</u>

Total Current Liabilities	<u>5,227</u>
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Total Liabilities	5,227
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Fund Balance	<u>97,249</u>
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Total Liabilities and Net Assets	<u>\$ 102,476</u>
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WOLVERINE COMMUNITY LIBRARY
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

Fund Balance – Total Governmental Funds	\$ 97,249
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Amounts Reported For Governmental Activities
In The Statement Of Net Assets Are Different
Because:

Capital Assets Used In Governmental Activities
Are Not Financial Resources And Are Not
Reported In The General Fund:

Governmental Capital Assets	\$ 432,704	
Less: Accumulated Depreciation	<u>(240,677)</u>	<u>192,027</u>
Net Assets – Governmental Activities		<u>\$ 289,276</u>

WOLVERINE COMMUNITY LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Revenues:

Intergovernmental:

Mileage	\$ 58,578
State Aid Grants	1,464
Penal Fines	<u>15,900</u>

Total Intergovernmental	75,942
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Books and Videos	3,568
Interest Income	1,388
Miscellaneous	617
Fax, Copies, Etc.	1,880
Donations	<u>4,557</u>

Total Revenues	87,952
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Expenditures:

Advertising	277
Books, , Magazines, Videos	2,801
Capital Outlay	18,969
Computer Grant Expenses	703
Children's Programs	1,872
Insurance	503
Internet Fees	2,057
Lodging	632
Meals	140
Miscellaneous	520
Mileage	758
Office Supplies/Postage	2,568
Payroll Taxes	3,539
Snow Removal/Lawn Care	65
Rent	250

WOLVERINE COMMUNITY LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Expenditures: (Continued)	
Repair and Maintenance	\$ 786
Supplies	1,286
Salaries and Wages	34,119
Temporary Wages	344
Telephone	1,710
Utilities	3,068
Workshops & Memberships	<u>192</u>
 Total Expenditures	 <u>77,159</u>
 Excess of Revenues Over Expenses	 10,793
 Fund Balance – July 1, 2006	 <u>86,456</u>
 Fund Balance - June 30, 2007	 <u>\$ 97,249</u>

WOLVERINE COMMUNITY LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Net Change In Fund Balances – Total Governmental Funds	\$ 10,793
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Amounts Reported For Governmental Activities
In The Statement Of Activities Are Different Because:

Governmental Funds Report Capital Outlays
As Expenditures. However, In The Statement
Of Activities, The Cost Of Those Assets
Is Depreciated Over Their Useful Lives:

Expenditure For Capital Outlay	\$ 18,969	
Less: Current Year Depreciation	<u>(34,806)</u>	<u>(15,837)</u>

Change In Net Assets Of Governmental Activities	<u>\$ (5,044)</u>
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WOLVERINE COMMUNITY LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Wolverine Community Library (the Library) serves primarily the residents of the Village of Wolverine and the surrounding Townships. The Library operates under an appointed Board of Directors.

The criteria established for determining the various governmental organizations to be included in the Library's financial statements include oversight responsibility, scope of public service and special financing relationships. Accordingly, the financial statements of the Library contain all Library funds that are controlled by or dependent upon the Library's executive branch.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Library's basic financial statements include both the Library as a whole and its individual fund financial statements.

Government-Wide Financial Statements -

The Library's Government Wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) are reported using the economic resources, measurement focus and the accrual basis of accounting; which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Balance Sheet includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in two parts; invested in capital assets and unrestricted net assets.

The Statement of Activities includes depreciation on long-term assets and eliminates capital outlay expense.

Amounts reported as program revenue include charges to patrons for the use of various Library assets and replacement as well as service and damage fees.

Fund Financial Statements -

The Library's individual fund financial statements are reported using the current financial resources, measurement focus and the modified-accrual basis of accounting; which is described below.

WOLVERINE COMMUNITY LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following governmental fund:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operation expenditures of the Library. Revenues are derived primarily from property taxes and other intergovernmental revenues.

Budgets and Budget Accounting

The Library adopts a budget for its governmental type fund as required by Public Act 621 of the State of Michigan. The Library follows these procedures in establishing the budget as reflected in the financial statements:

1. Prior to the start of the fiscal year the Library Board prepared a preliminary budget.
2. During May, the budget is legally enacted through passage of a resolution. Amendments to the budget can be made during the fiscal year, if necessary, by a simple majority vote of the Library Board.
3. The budget is adopted on a basis consistent with the modified accrual method of accounting.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. During the year ended June 30, 2007, the Library incurred expenditures in excess of the amount budgeted as follows:

WOLVERINE COMMUNITY LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Over Expended</u>
For the General Fund:			
Advertising	\$ 200	\$ 277	\$ (77)
Books, magazines, videos	1,600	2,801	(1,201)
Capital Outlay	15,900	18,969	(3,069)
Computer Grant Expenses	-	703	(703)
Children's Programs	1,200	1,872	(672)
Internet Fees	1,200	2,057	(857)
Miscellaneous	300	520	(220)
Office Supplies/Postage	1,975	2,568	(593)
Payroll Taxes	2,300	3,539	(1,239)
Repair and Maintenance	500	786	(286)
Supplies	825	1,286	(461)
Salaries and Wages	29,500	34,119	(4,619)
Telephone	1,500	1,710	(210)

Encumbrance System

The Library does not use an encumbrance system.

General Fund – Capital assets are defined by the Library as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Details of capital assets are as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>	<u>Life</u>
Land	\$ 5,000	\$ -	\$ 5,000	
Books	245,277	151,520	93,757	10 years
Furniture and Fixtures	151,244	65,084	86,160	10 years
Videos and Cassettes	15,306	9,984	5,322	10 years
Office Equipment	<u>15,877</u>	<u>14,089</u>	<u>1,788</u>	10 years
	<u>\$ 432,704</u>	<u>\$ 240,677</u>	<u>\$ 192,027</u>	

WOLVERINE COMMUNITY LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes – Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 28 before they are added to the County tax rolls on March 1. The total tax levy was based on a millage rate of .6414 and total State Taxable Valuation of approximately \$81,033,000.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

NOTE B – LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act 196, Public Acts of 1998 (effective December 30, 1998), states the Library, by resolution, may authorize the Chief Fiscal Officer to invest surplus funds as follows:

- In bonds and other direct obligation of the United States or an Agency or instrumentality of the United States.
- In certificates of deposits, savings accounts, deposit accounts, or depository receipts of a bank, but only if the financial institution complies with certain requirements included within the Act.
- In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- In United States Government or Federal Agency obligation repurchase agreements .
- In bankers' acceptances of United States banks.
- Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686.54 Stat. 739, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- Obligations described in subdivisions (a) through (g) if purchased through an inter-local agreement under the Urban Cooperation Act of 1967, 1967 PA 7, MCL 124.501 to 124.512.

WOLVERINE COMMUNITY LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE B – LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS (Continued)

- Investment pools organized under the Surplus Funds Investment Pool Act, 1981 PA 367, MCL 129.11 to 129.118.
- Investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Certain other restrictions also apply including a requirement for the Board of Directors to formally adopt an Investment Policy which includes specified matters.

NOTE C – RISK MANAGEMENT

The Library carries insurance coverage for property damage, liability, wrongful acts and crime claims. Also, the Library has purchased from a commercial carrier worker's compensation insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE D – TAX EXEMPT STATUS

Based upon a determination letter dated March 12, 1997, from the Internal Revenue Service, the Wolverine Community Library is recognized as a Section 501(c) 3 Organization. Therefore, the Library is exempt from Federal Income Tax and charitable contributions are deductible for the donor to the extent allowed by law. This exempt status has, pursuant to relief granted under I.R.C. Section 301.9100-1, been made retroactive to June 23, 1977, the date the Organization was formed.

WOLVERINE COMMUNITY LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental:			
Mileage	\$ 40,500	\$ 58,578	\$ 18,078
State Aid Grants	1,500	1,464	(36)
Penal Fines	<u>20,000</u>	<u>15,900</u>	<u>(4,100)</u>
Total Intergovernmental	62,000	75,942	13,942
Books and Videos	1,025	3,568	2,543
Interest Income	2,255	1,388	(867)
Miscellaneous	-	617	617
Fax, Copies, Etc.	650	1,880	1,230
Donations	<u>600</u>	<u>4,557</u>	<u>3,957</u>
Total Revenues	66,530	87,952	21,422
Expenditures:			
Advertising	200	277	(77)
Books, magazines, videos	1,600	2,801	(1,201)
Capital Outlay	15,900	18,969	(3,069)
Contingency	105	-	105
Computer Grant Expenses	-	703	(703)
Children's Programs	1,200	1,872	(672)
Insurance	600	503	97
Internet Fees	1,200	2,057	(857)
Lodging	1,100	632	468
Meals	700	140	560
Miscellaneous	300	520	(220)
Mileage	1,000	758	242
New Programs	200	-	200
Office Supplies/Postage	1,975	2,568	(593)
Payroll Taxes	2,300	3,539	(1,239)
Professional Fees	575	-	575
Snow Removal/Lawn Care	150	65	85

The accompanying notes are an integral part of these financial statements.

WOLVERINE COMMUNITY LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Expenditures: (Continued)			
Rent	\$ 250	\$ 250	\$ -
Repair and Maintenance	500	786	(286)
Supplies	825	1,286	(461)
Salaries and Wages	29,500	34,119	(4,619)
Telephone	1,500	1,710	(210)
Temporary Wages	600	344	256
Utilities	3,250	3,068	182
Workshops & Memberships	<u>1,000</u>	<u>192</u>	<u>808</u>
Total Expenditures	<u>\$ 66,530</u>	<u>77,159</u>	<u>(10,629)</u>
Excess of Expenditures Over Revenues	-	10,793	<u>\$ 10,793</u>
Fund Balance – July 1, 2006		<u>86,456</u>	
Fund Balance - June 30, 2007		<u>\$ 97,249</u>	

October 3, 2007

Board of Directors
Wolverine Community Library
Box 310
Wolverine, Michigan 49799

Re: Comments and Recommendations

We have examined the general purpose financial statements of the Wolverine Community Library, for the year ended June 30, 2007, and have issued our report thereon dated October 3, 2007.

Our examination was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting office *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*. Solely to assist in planning and performing our examination, we made a study and evaluation of the internal accounting controls of Wolverine Community Library. That study and evaluation was limited to a preliminary review of the system to obtain an understanding of the control environment and the flow of transactions through the accounting system. Because we are not relying on the entity's internal accounting control procedures to restrict our substantive tests, our study and evaluation of the internal accounting controls did not extend beyond this preliminary review phase. Accordingly, we do not express an opinion on the system of internal accounting control taken as a whole. Also, our examination made in accordance with the standards mentioned above, would not necessarily disclose weaknesses in the system of internal accounting control.

This report and accompanying recommendations are intended solely for the use of management and should not be used for any other purpose.

The following are recommendation s regarding accounting matters:

With regard to budgeting, it appears that the Board is attempting to approve a final budget which is very close to actual. This has resulted in some unfavorable variances. Revenue and expenditure budgets are not intended to balance to the penny; but rather provide a guideline for spending and framework for planning. With this in mind, revenue should be budgeting conservatively, which would be to the low side for revenue and expenditures should be slightly over budget to make room for unforeseen expense. Periodically, the budget should be reviewed to see if an amendment is necessary. This was also commented on in the prior audit.

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With regards to cash management, the Library incurred numerous overdraft charges throughout the year. It appears that the charges were for the bank to make automatic transfers from the savings account to the checking account to cover the overdraft. While the fees were not substantial, they potentially could be, and were in excess of the likely amount of interest earned with the funds in the savings account rather than keeping a higher balance in the checking account. The Library should review its policy regarding the dollar amount to keep in the checking account and how often to review the balance for adequacy.

If you have questions regarding this letter or the audited financial statements, please don't hesitate to call.

Sincerely,

Nieland and Kosanke, P.C.

CERTIFIED PUBLIC ACCOUNTANTS